

COLDWATER HOUSING COMMISSION

Financial Statements

March 31, 2008

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Opinion	i
Management Discussion and Analysis	ii
 <u>FINANCIAL STATEMENTS</u>	
Statement of Net Assets	2
Statement of Revenue, Expenses and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5
 <u>SUPPLEMENTAL DATA</u>	
Combining Balance Sheet	11
Combining Statement of Income and Expenses	12
Status of Prior Audit Findings	13
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14
Schedule of Findings and Questioned Cost	16
Finding 2008-1: Davis Bacon Act Discrepancies	17

John C. DiPiero, P.C.

Certified Public Accountant

P. O. Box 378
Hemlock, Michigan 48626
Tel / Fax (989) 642-2092

Board of Commissioners
Coldwater Housing Commission
60 S. Clay Street
Coldwater, Michigan 49036

Independent Auditor's Report

I have audited the Financial Statements of the Coldwater Housing Commission, Business Type Activities as of and for the year ended March 31, 2008. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Coldwater Housing Commission as of March 31, 2008, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, if fairly stated in all material respects in relation to the financial statements taken as whole.

The Management's Discussion and Analysis and the required supplemental information are not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 5, 2008 on my consideration of the Coldwater Housing Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Certified Public Accountant

November 5, 2008

COLDWATER HOUSING COMMISSION

Management Discussion and Analysis

This discussion and analysis of the Coldwater Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the financial statements.

Entity-Wide Statements

The combined financial statements show, in one place, all the Commission's operations. Our statements are prepared on the accrual basis of accounting, which is similar to that used by most businesses. Under this method, all revenues and expenses connected with the fiscal year are taken into account even if the cash involved has not actually been received or paid. The Financial Data Schedule included within the audit report contains all the programs of the Commission.

Fund Statements

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Proprietary Fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Entity-Wide Financial Highlights

The Commission was awarded and received the following Federal Assistance:

	<u>Year 2008</u>	<u>Year 2007</u>
Operating Subsidies	\$ 127,985	\$ 64,105
Housing Choice Voucher Program	2,071	83,317
Capital Projects Funds	115,548	77,115

Comparison of the current year to the past and discussion of significant changes as follows:

	<u>Year 2008</u>	<u>Year 2007</u>	<u>Net Change</u>
Cash & cash equivalents	\$ 191,660	\$ 151,655	40,005
Accounts Receivable	8,490	16,551	(8,061)
Investments			
(Restricted/Unrestricted)	96,530	96,530	
Prepaid Expenses	24,001	17,456	6,545
Fixed Assets, prior to			
Depreciation	4,040,159	3,955,531	84,628
Total Liabilities	68,335	64,342	3,993
Net Assets	1,568,973	1,627,386	(58,413)

Management Discussion & Analysis, continued

	<u>Year 2008</u>	<u>Year 2007</u>	<u>Net Change</u>
Revenues:			
Tenant Revenues	\$ 309,649	\$ 296,925	\$ 12,724
HUD Grants	245,647	224,537	21,110
Other Revenue	18,500	13,010	5,490
Expenses:			
Administrative	187,047	165,334	21,713
Tenant Services	1,771	353	1,418
Utilities	82,053	87,067	5,014
Maintenance & Operations	141,296	124,924	16,372
General Expenses	40,330	35,474	4,856
Depreciation Expense	178,531	175,025	3,506
Housing Assistance Payments	0	70,497	(70,497)
Changes in Net Assets	(58,413)	(124,202)	65,789

The Commission's cash position increased during the year, our accounts receivable decreased, prepaid expenses increased; our fixed assets before depreciation increased, total liabilities increased slightly, and Net Assets decreased by the amount of the net loss. HUD grants increased slightly in spite of giving up the Voucher program; Administration expenses increased, Maintenance & Operations increased, Housing Assistance Payments decreased as a result of giving up the program, other expenses had unremarkable dollar changes.

A more detailed review of the above changes as follows:

Our cash position increased \$ 40,005; we purchased \$ 84,628 in fixed assets, both were as a result of a net profit before depreciation of \$ 120,118. Accounts Receivable dropped \$ 8,061 because the amount due from HUD dropped from \$ 14,984 to \$ 8,175, prepaid expenses represents unexpired insurance premiums at year end, they were \$ 6,545 higher than the year before, total liabilities increased marginally, \$ 3,993- several line items had insignificant increases. Net assets decreased by the amount of the loss, \$ 58,413.

Tenant revenues increased \$ 12,724 in spite of a bad economy and unexpected vacancies; the vacancies and a new performance funding system greatly affected the Operating Subsidies the Commission received in the current year.

HUD grants are a result of requisitioning eligible funds; our capital fund requisitions increased \$ 38,433. HUD grants for the Low Rent Program are a result of calculations under the Performance Funding System; our increased as mentioned above; Housing Choice Vouchers decreased \$ 81,246, as a result of transferring the program on December 31, 2006 to the Michigan State Housing Development Authority; the final authorized payment was made in the current year of \$ 2,071.

Management Discussion & Analysis, continued

Two expense categories increased significantly, Administrative and Maintenance; both increased due to the cost of employee benefits- when the Commission separated from the Cities policies, the cost of both our health care and pension cost increased due to the smaller group. Administrative benefits increased \$ 13,615, and Maintenance benefits increased \$ 2,963; Maintenance expenses also increased in wages, as we hired a part time maintenance person to assist with building maintenance- wages increased \$ 15,944.

The Commission provided the following housing for low to moderately low income families:

	<u>Year 2008</u>	<u>Year 2007</u>
Low Rent Public Housing	100	100
Housing Choice Vouchers	0	25

General Fund Budgetary Highlights

The Commission approved an operating budget on May 4, 2007 for the fiscal year ending March 31, 2008; we had no occasion to amend the original budget.

The following represents the significant changes from the original budget to the actual results:

	<u>Actual Results</u>	<u>Budget</u>	<u>Difference</u>
Capital Fund Income	\$ 115,548	\$ 101,447	\$ 14,101
HUD Subsidies	127,985	65,540	62,445
Maintenance Wages	66,478	71,400	(4,922)
Utilities	82,053	96,000	(13,947)
Capital Fund Expenses	31,008	47,447	(16,439)
Net Income (Loss) before Depreciation	120,118	0	120,118

The net of the above differences makes up the majority of the net operating profit before depreciation. The biggest difference was due to the unexpected results of the Performance Funding System operating subsidy increase. The Commission was a gainer in the new formula and benefited from the new calculations. The Capital fund drawn down was higher than originally budgeted as we wanted to complete the elevator upgrade and carpet replacement, as discussed later. Prior energy upgrades have reduced our actual consumption and saved on utilities, we had budgeted expecting a different result.

Management Discussion & Analysis, continued

Entity Wide Capital Assets

The fixed assets increased \$ 84,628 prior to depreciation. The additions included an elevator upgrade and carpet replacement.

The Commission intends on using the 2008 Capital Fund Program (CFP) for unit turnover- carpet and tile work, \$ 75,000, and improve the entry way to enhance curb appeal, \$ 5,000.

The following shows all the major classifications of fixed assets:

Land	\$ 76,598
Buildings	1,997,378
Furniture & Equipment-Admin	89,632
Construction in Progress	22,449
Leasehold Improvements	<u>1,854,102</u>
	\$ 4,040,159
Accumulated Depreciation	<u>2,723,532</u>
	<u>\$ 1,316,627</u>

Commission's Position

The Commission's proposed improvements include a canopy for the main entrance and unit turnover; we anticipate the cost will be covered by our 2008 capital fund program.

The Commission voluntarily surrendered the Housing Choice Voucher Program to an agency that could service the public need; the structure of the Voucher program is to serve a limited geographical area, that area did not provide adequate acceptable rental facilities within the rental range required by the program. Therefore, we had much difficulty maintaining full occupancy and could not serve the public fully. The agency that absorbed our vouchers can serve the entire county, whereas we were limited to a small circle around the city- we took the appropriate actions to transfer the program to an agency which can serve the public including the city. HUD accepted our request to seek a new service agency and assisted in the transition.

We anticipate current funding levels for operations and capital improvements will remain consistent with past years; therefore, the Commission expects to continue to provide safe, sanitary and decent housing for the low and moderately low income elderly families.

Questions or comments concerning this Management Discussion and Analysis may be directed to:

Cathy Gordon, Executive Director
60 Clay Street
Coldwater, Michigan 49036

COLDWATER HOUSING COMMISSION
Statement of Net Assets
March 31, 2008

ASSETS

C-3058

CURRENT ASSETS

Cash	\$	191,660	
Accounts Receivable, net of Allowance for Doubtful Accounts of \$ 1,085		315	
Accounts Receivable- Other		8,175	
Investments		96,530	
Prepaid Expenses & Inventories		<u>24,001</u>	
 Total Current Assets	\$		320,681

NON CURRENT ASSETS

Land	\$	76,598	
Buildings		1,997,378	
Furniture, Equipment- Dwellings		3,806	
Furniture, Equipment- Administrative		85,826	
Construction in Progress		22,449	
Leasehold Improvements		1,854,102	
Accumulated Depreciation		<u>(2,723,532)</u>	
 Total Non Current Assets			<u>1,316,627</u>

<u>TOTAL ASSETS</u>	\$	<u>1,637,308</u>
---------------------	----	------------------

COLDWATER HOUSING COMMISSION
Statements of Net Assets
March 31, 2008

LIABILITIES

C-3058

CURRENT LIABILITIES

Accounts Payable	\$	6,647	
Accrued Payroll Taxes		2,648	
Accrued Compensated Absences		9,290	
Accounts Payable-Other Governments		17,685	
Tenants Security Deposit		14,754	
Deferred Revenue		<u>618</u>	
<u>Total Current Liabilities</u>	\$		51,642

NON CURRENT LIABILITIES

Compensated Absences		<u>16,693</u>	
<u>Total Liabilities</u>	\$		68,335

NET ASSETS

Investment in Fixed Assets, net of related Debt	\$	1,316,627	
Unrestricted Net Assets		<u>252,646</u>	
<u>Total Net Assets</u>			<u>1,568,973</u>
<u>TOTAL LIABILITIES & NET ASSETS</u>	\$		<u>1,637,308</u>

The Accompanying Notes are an Integral part of the Financial Statements

COLDWATER HOUSING COMMISSION
Statement of Revenue, Expenses, and Changes in Net Assets
For the year ended March 31, 2008

OPERATING REVENUE

Tenant Rental Revenue	\$ 293,266	
Tenant Revenue-Other	16,383	
HUD Grants	160,941	
Interest Income	5,558	
Other Income	<u>12,942</u>	
<u>Total Operating Revenue</u>		\$ 489,090

OPERATING EXPENSES

Administrative	\$ 187,047	
Tenant Services	1,771	
Utility Expenses	82,053	
Ordinary Maintenance	141,296	
General Expenses	40,330	
Depreciation Expenses	<u>178,531</u>	
<u>Total Operating Expenses</u>		<u>631,028</u>
<u>Operating Income (Loss)</u>		\$ (141,938)

NONOPERATING REVENUE (EXPENSES)

Casualty Losses- not Capitalized	(1,138)
----------------------------------	---------

CAPITAL CONTRIBUTIONS

	<u>84,663</u>
<u>Changes in Net Assets</u>	\$ (58,413)
Total Net Assets- Beginning	<u>1,627,386</u>
Total Net Assets- Ending	\$ <u>1,568,973</u>

The Accompanying Notes are an Integral part of the Financial Statements

COLDWATER HOUSING COMMISSION
Combined Statement of Cash Flows
For the Year Ended March 31, 2008

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 309,525
Payments to Suppliers	(386,996)
Payments to Employees	(144,902)
HUD Grants	245,604
Other Receipts (Payments)	<u>18,500</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>41,731</u>

CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES

Capital Contributions	\$ 84,663
Purchases of Capital Assets	<u>(86,389)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ <u>(1,726)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 40,005
Balance- Beginning of Year	<u>151,655</u>
Balance- End of Year	\$ <u>191,660</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$ (141,938)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	178,531
Changes in Assets (Increase) Decrease:	
Receivables (Gross)	8,061
Prepaid Expenses	(6,545)
Changes in Liabilities Increase (Decrease):	
Accounts Payable	(983)
Compensated Absences	2,676
Accounts Payable- Other Governments	1,781
Accrued Liabilities	(715)
Security Deposits	(1)
Deferred Revenue	<u>618</u>
Net Cash Provided by Operating Activities	\$ <u>41,485</u>

The Accompanying Notes are an Integral part of the Financial Statements

COLDWATER HOUSING COMMISSION
Notes to Financial Statements
March 31, 2008

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity-

Coldwater Housing Commission, Coldwater, Michigan, (Commission) was created by an ordinance of Coldwater, Michigan. The Commission signed an Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 56-001	Low rent program	100 units
-----------	------------------	-----------

In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above, a component unit does exist which is reported.

These criteria were considered in determining the reporting entity.

Basis of Presentation-

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Notes to Financial Statements- continued

Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1998, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, unless they conflict with the Governmental Accounting Standards Board (GASB) pronouncements.

Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

Assets, Liabilities, and Net Assets-

Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Due to/From Other Funds

During the course of operations, numerous transactions occur between individual funds for goods or services; these receivables and payables are classified as "due from" or "due to" other funds on the Balance Sheet. The total due from/to eliminated were \$ 7,652.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is reported as Invested in Capital Assets, Net of Related Debt.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Equipment	3-10 years

Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. The amount accrued was based on the probability that the Commission will compensate the employees for the benefits through cash payments as a condition of the employees' termination or retirement.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Notes to Financial Statements- continued

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

General Fund Checking Accounts	\$ 92,956
Petty Cash	190
Saving Account	<u>98,514</u>
Financial Statement Total	\$ <u>191,660</u>

Investments:

Certificates of Deposit	\$ 96,530
-------------------------	-----------

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	Categories			Carrying Amount	Market Value
	1	2	3		
Cash:					
Checking A/C's	\$ 92,956	\$	\$	\$ 92,956	\$ 92,956
Petty Cash	190			190	190
Savings Accounts	<u>98,514</u>			<u>98,514</u>	<u>98,514</u>
Total Cash	\$ <u>191,660</u>	\$	\$	\$ <u>191,660</u>	\$ <u>191,660</u>
Investments:					
Certificates of Deposit	\$ <u>96,530</u>	\$	\$	\$ <u>96,530</u>	\$ <u>96,530</u>

All investments are covered by either FDIC or bank collateralization commitment letters. In addition to the above analysis, the Commission has adopted an investment policy as required by P.A. 196 of 1997; Michigan Compiled Law 129.95.

Notes to Financial Statements- continued

Note 3: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Land	\$ 76,598	\$	\$	\$ 76,598
Buildings	1,928,294	69,084		1,997,378
Furniture & Equipment-Admin	86,479	3,153		89,632
Construction in Progress	10,369	12,080		22,449
Leasehold Improvements	<u>1,852,030</u>	<u>2,072</u>		<u>1,854,102</u>
	\$ 3,953,770	\$ 86,389	\$	\$ 4,040,159
Less Accumulated Depreciation	<u>2,545,001</u>	<u>178,531</u>		<u>2,723,532</u>
	\$ <u>1,408,769</u>	\$ <u>(92,142)</u>	\$	\$ <u>1,316,627</u>

Note 4: Pension Plan

The Commission has separated from the City of Coldwater's pension plan and have transferred all the pension assets to the Municipal Employee Retirement System, (MERS). The Commission has enrolled in a Defined Contribution plan whereas 5% of eligible employees contribute to the plan, and the Commission will contribute between 6-10%. The total Commission contributions for the year were \$ 10,481; total plan assets at December 31, 2007 were \$ 15,349.

Note 5: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 6: Combining Financial Data Schedules.

The totals in the combining Balance Sheet and combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Note 7: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 8,683,653
General Liability	1,000,000
Automobile Liability	1,000,000
Dishonesty Bond	1,000,000
Worker's Compensation and other riders: minimum coverage's required by the State of Michigan	

Note 9: Loss of Housing Choice Vouchers Program

The Commission requested, and was granted, permission to transfer the Section 8 Housing Choice Voucher Program (Program) to the Michigan State Housing Development Authority (MSHDA), effective December 31, 2006. The Program consisted of 25 vouchers; over the years the cost to administer the program exceeded the administrative fees which HUD provides, therefore, it was in the best interest of the Commission to transfer the program.

Coldwater Housing Commission

31-Mar-08

MI056

Combining Balance Sheet		Low Rent 14.850	Housing Choice Voucher Program 14.855	Capital Projects Funds 14.872	TOTAL
Line Item #					
	ASSETS:				
	CURRENT ASSETS:				
	Cash:				
111	Cash - unrestricted	176,906	-	-	176,906
112	Cash - restricted - modernization and development	-			-
113	Cash - other restricted				-
114	Cash - tenant security deposits	14,754			14,754
100	Total cash	191,660	-	-	191,660
	Accounts and notes receivables:				
121	Accounts receivable - PHA projects	523			523
122	Accounts receivable - HUD other projects	-		7,652	7,652
124	Accounts receivable - other government				-
125	Accounts receivable - miscellaneous	-	-		-
126	Accounts receivable- tenants - dwelling rents	1,400			1,400
126.1	Allowance for doubtful accounts - dwelling rents	(1,085)			(1,085)
126.2	Allowance for doubtful accounts - other	-			-
127	Notes and mortgages receivable- current				-
128	Fraud recovery				-
128.1	Allowance for doubtful accounts - fraud				-
129	Accrued interest receivable				-
120	Total receivables, net of allowances for doubtful accounts	838	-	7,652	8,490
	Current investments				-
131	Investments - unrestricted	96,530			96,530
132	Investments - restricted				-
142	Prepaid expenses and other assets	20,601			20,601
143	Inventories	3,400			3,400
143.1	Allowance for obsolete inventories				-
144	Interprogram - due from	7,652	-	-	7,652
146	Amounts to be provided				-
150	TOTAL CURRENT ASSETS	320,681	-	7,652	328,333
	NONCURRENT ASSETS:				
	Fixed assets:				
161	Land	76,598		-	76,598
162	Buildings	1,929,252		68,126	1,997,378
163	Furniture, equipment & machinery - dwellings	2,578		1,228	3,806
164	Furniture, equipment & machinery - administration	81,368	-	4,458	85,826
165	Leasehold improvements	1,854,102		-	1,854,102
166	Accumulated depreciation	(2,723,399)	-	(133)	(2,723,532)
167	Construction in Progress			22,449	22,449
160	Total fixed assets, net of accumulated depreciation	1,220,499	-	96,128	1,316,627
171	Notes and mortgages receivable - non-current				-
172	Notes and mortgages receivable-non-current-past due				-
174	Other assets				-
175	Undistributed debits				-
176	Investment in joint ventures				-
180	TOTAL NONCURRENT ASSETS	1,220,499	-	96,128	1,316,627
190	TOTAL ASSETS	1,541,180	-	103,780	1,644,960

	LIABILITIES AND EQUITY:				
	LIABILITIES:				
	CURRENT LIABILITIES				
311	Bank overdraft				-
312	Accounts payable ≤ 90 days	6,647			6,647
313	Accounts payable > 90 days past due				-
321	Accrued wage/payroll taxes payable	2,648			2,648
322	Accrued compensated absences	9,290			9,290
324	Accrued contingency liability				-
325	Accrued interest payable				-
331	Accounts payable - HUD PHA programs		-		-
332	Accounts Payable - PHA Projects				
333	Accounts payable - other government	17,685	-	-	17,685
341	Tenant security deposits	14,754			14,754
342	Deferred revenues	618			618
343	Current portion of Long-Term debt - capital projects				-
344	Current portion of Long-Term debt - operating borrowings				-
345	Other current liabilities	-			-
346	Accrued liabilities - other	-	-		-
347	Inter-program - due to	-	-	7,652	7,652
310	TOTAL CURRENT LIABILITIES	51,642	-	7,652	59,294
	NONCURRENT LIABILITIES:				
351	Long-term debt, net of current- capital projects				-
352	Long-term debt, net of current- operating borrowings				-
354	Accrued Compensated Absences-non current	16,693			16,693
350	TOTAL NONCURRENT LIABILITIES	16,693	-	-	16,693
300	TOTAL LIABILITIES	68,335	-	7,652	75,987
	EQUITY:				
501	Investment in general fixed assets				-
	Contributed Capital:				
502	Project notes (HUD)				-
503	Long-term debt - HUD guaranteed	-			-
504	Net HUD PHA contributions	-			-
505	Other HUD contributions				-
508	Net Assets invested in Capital Assets	1,220,499		96,128	1,316,627
508	Total contributed capital	1,220,499	-	96,128	1,316,627
	Reserved fund balance:				
509	Reserved for operating activities				-
510	Reserved for capital activities				-
511	Total reserved fund balance	-	-	-	-
512	Undesignated fund balance/retained earnings	252,346	-	-	252,346
513	TOTAL EQUITY	1,472,845	-	96,128	1,568,973
600	TOTAL LIABILITIES AND EQUITY	1,541,180	-	103,780	1,644,960

- - - -

Coldwater Housing Commission

31-Mar-08

MI056

Combining Balance Sheet		Low Rent 14.850	Housing Choice Voucher Program 14.855	Capital Projects Funds 14.872	TOTAL
Line Item #					
	ASSETS:				
	CURRENT ASSETS:				
	Cash:				
111	Cash - unrestricted	176,906	-	-	176,906
112	Cash - restricted - modernization and development	-			-
113	Cash - other restricted				-
114	Cash - tenant security deposits	14,754			14,754
100	Total cash	191,660	-	-	191,660
	Accounts and notes receivables:				
121	Accounts receivable - PHA projects	523			523
122	Accounts receivable - HUD other projects	-		7,652	7,652
124	Accounts receivable - other government				-
125	Accounts receivable - miscellaneous	-	-		-
126	Accounts receivable- tenants - dwelling rents	1,400			1,400
126.1	Allowance for doubtful accounts - dwelling rents	(1,085)			(1,085)
126.2	Allowance for doubtful accounts - other	-			-
127	Notes and mortgages receivable- current				-
128	Fraud recovery				-
128.1	Allowance for doubtful accounts - fraud				-
129	Accrued interest receivable				-
120	Total receivables, net of allowances for doubtful accounts	838	-	7,652	8,490
	Current investments				-
131	Investments - unrestricted	96,530			96,530
132	Investments - restricted				-
142	Prepaid expenses and other assets	20,601			20,601
143	Inventories	3,400			3,400
143.1	Allowance for obsolete inventories				-
144	Interprogram - due from	7,652	-	-	7,652
146	Amounts to be provided				-
150	TOTAL CURRENT ASSETS	320,681	-	7,652	328,333
	NONCURRENT ASSETS:				
	Fixed assets:				
161	Land	76,598		-	76,598
162	Buildings	1,929,252		68,126	1,997,378
163	Furniture, equipment & machinery - dwellings	2,578		1,228	3,806
164	Furniture, equipment & machinery - administration	81,368	-	4,458	85,826
165	Leasehold improvements	1,854,102		-	1,854,102
166	Accumulated depreciation	(2,723,399)	-	(133)	(2,723,532)
167	Construction in Progress			22,449	22,449
160	Total fixed assets, net of accumulated depreciation	1,220,499	-	96,128	1,316,627
171	Notes and mortgages receivable - non-current				-
172	Notes and mortgages receivable-non-current-past due				-
174	Other assets				-
175	Undistributed debits				-
176	Investment in joint ventures				-
180	TOTAL NONCURRENT ASSETS	1,220,499	-	96,128	1,316,627
190	TOTAL ASSETS	1,541,180	-	103,780	1,644,960

	LIABILITIES AND EQUITY:				
	LIABILITIES:				
	CURRENT LIABILITIES				
311	Bank overdraft				-
312	Accounts payable ≤ 90 days	6,647			6,647
313	Accounts payable > 90 days past due				-
321	Accrued wage/payroll taxes payable	2,648			2,648
322	Accrued compensated absences	9,290			9,290
324	Accrued contingency liability				-
325	Accrued interest payable				-
331	Accounts payable - HUD PHA programs		-		-
332	Accounts Payable - PHA Projects				
333	Accounts payable - other government	17,685	-	-	17,685
341	Tenant security deposits	14,754			14,754
342	Deferred revenues	618			618
343	Current portion of Long-Term debt - capital projects				-
344	Current portion of Long-Term debt - operating borrowings				-
345	Other current liabilities	-			-
346	Accrued liabilities - other	-	-		-
347	Inter-program - due to	-	-	7,652	7,652
310	TOTAL CURRENT LIABILITIES	51,642	-	7,652	59,294
	NONCURRENT LIABILITIES:				
351	Long-term debt, net of current- capital projects				-
352	Long-term debt, net of current- operating borrowings				-
354	Accrued Compensated Absences-non current	16,693			16,693
350	TOTAL NONCURRENT LIABILITIES	16,693	-	-	16,693
300	TOTAL LIABILITIES	68,335	-	7,652	75,987
	EQUITY:				
501	Investment in general fixed assets				-
	Contributed Capital:				
502	Project notes (HUD)				-
503	Long-term debt - HUD guaranteed	-			-
504	Net HUD PHA contributions	-			-
505	Other HUD contributions				-
508	Net Assets invested in Capital Assets	1,220,499		96,128	1,316,627
508	Total contributed capital	1,220,499	-	96,128	1,316,627
	Reserved fund balance:				
509	Reserved for operating activities				-
510	Reserved for capital activities				-
511	Total reserved fund balance	-	-	-	-
512	Undesignated fund balance/retained earnings	252,346	-	-	252,346
513	TOTAL EQUITY	1,472,845	-	96,128	1,568,973
600	TOTAL LIABILITIES AND EQUITY	1,541,180	-	103,780	1,644,960

- - - -

March 31, 2008

The prior audit of the Coldwater Housing Commission for the period ended March 31, 2007, contained one audit finding; the corrective action taken by the Commission is as follows:

- 1) Questioned Cost-Voucher Program: The Commission transferred the Voucher Program to the Michigan State Housing Development Authority (MSHDA) as of December 31, 2007, however, the Administrative Account had a deficit of \$ 9,988 at the time. The Commission requested of HUD to transfer non federal funds to the program to eliminate the deficit; HUD agreed with the transfer. The Commission transferred the funds from the management account and the finding was closed.

COLDWATER HOUSING COMMISSION
Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards
March 31, 2008

I have audited the financial statements of the Coldwater Housing Commission of Coldwater, Michigan, as of and for the year ended March 31, 2008, and have issued my report thereon dated November 5, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Coldwater Housing Commission's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. I did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be a material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs.

This report is intended solely for the information of management, Board of Commissioners, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Certified Public Accountant
Hemlock, Michigan
November 5, 2008

COLDWATER HOUSING COMMISSION
Schedule of Findings and Questioned Cost
March 31, 2008

Section I- Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued- Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant Deficiency (ies) identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None reported
Non Compliance material to financial statements noted	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant Deficiency (ies) identified that are not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> None reported

Type of auditor's report issued on compliance for major programs- Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	<u> </u> Yes	<u> X </u> No
--	-------------------	-----------------

Identification of Major Programs:

<u>Name of Federal Program</u>	<u>Major Program</u>	<u>Questioned Costs</u>	<u>Audit Finding Number</u>
Low Rent Public Housing	Yes	None	N/A
Capital Projects Funds	Yes	None	08-1

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

CFDA 14.872 Capital Fund Project

Finding 8-1) Davis Bacon Discrepancies

Criteria-

Davis Bacon Act (Act) requires Commissions provide wage rates, monitor contractor payments, and obtain certified payrolls.

Condition-

The Commission did obtain bids as required by the Act, obtained wage rates, and questioned contractor employees concerning payments, however, failed to obtain certified payrolls.

Questioned Cost-

None

Context-

An examination of the Capital Fund Projects (CFP) file revealed the lack of certified payrolls; I examined the draw requests, bid documents, tested payments through the cash disbursements test, traced payments and classifications to the general ledger, however, could not verify contractor compliance with payments.

Effect-

The contractors could be in violation of Davis Bacon wage and benefit determinations; verification was not possible.

Cause-

Unknown, past grants have been monitored; possibly oversight my management.

Recommendation

I recommend the Commission continue to perform the grant management which it has in the past (bidding, providing wage determinations, monitoring contractor activity), and, obtain certified payrolls and compare wages and benefits paid to employee interviews.

Reply

As we discussed during the audit interview, Coldwater Housing Commission understands the requirements of Davis Bacon and we have fulfilled this obligation with past grant funded projects. Management's oversight of this component may have been due to staffing changes which occurred during the time of the project in question.

We accept your recommendation and will continue to perform the grant management as we have in the past (bidding, providing wage determinations, monitoring contractor activity), and we will obtain certified payrolls in order to compare with wages and benefits paid to employees interviewed.